

CITY OF MANNING
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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**CITY OF MANNING
OFFICIALS**

(Before January 2012)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harvey Dales	Mayor	January 2014
Jeff Hargens	Mayor Pro-tem/Council Member	January 2014
Andrew Eischeid	Council Member	January 2014
Dan Grove	Council Member	January 2012
Jason Hoffman	Council Member	January 2012
Richard Johnson	Council Member	January 2012
Dawn Rohe	City Administrator/Clerk	Indefinite
Robert Gaffney	City Attorney	Indefinite

(After January 2012)

Harvey Dales	Mayor	January 2014
Jeff Hargens	Mayor Pro-tem/Council Member	January 2014
Richard Johnson	Council Member	January 2014
Andrew Eischeid	Council Member	January 2014
Sheryl Dammann	Council Member	January 2016
Josh Linde	Council Member	January 2016
Dawn Rohe	City Administrator/Clerk	Indefinite
Robert Gaffney	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 27, 2012

Independent Auditor's Report

Lonnie G. Muxfeldt
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Accountant

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Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manning, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manning's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the financial statements of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2011.

Continued. . .

Member of American Institute of Certified Public Accountants,
Iowa Society of CPA's and AICPA Private Companies Practice Section

December 27, 2012
To the Honorable Mayor and
Members of the City Council:

Page Two

The financial statements referred to above include only the primary government of the City of Manning, which consists of all funds, organizations, agencies, boards, commissions, and authorities that comprise the City's legal entity. The financial statements exclude the financial statements of the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial statements of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Manning as of and for the year ended June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself concerning the distribution by fund of the total fund balances at July 1, 2011, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Manning, Iowa as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 27, 2012 on my consideration of the City of Manning's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Continued...

December 27, 2012
To the Honorable Mayor and
Members of the City Council:

Page Three

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements for the primary government of the City of Manning. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Except for the years marked "unaudited" on Schedule 4, the supplementary information, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manning's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 35 through 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.


Murphy & Associates, CPA, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Manning provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 28%, or approximately \$369,000, from fiscal year 2011 to 2012. Property tax increased approximately \$24,000 and note proceeds increased \$210,000.

Disbursements of the City's governmental activities increased 28%, or approximately \$352,000, in fiscal year 2012 from fiscal year 2011. Public works, community and economic development, and public safety disbursements increased approximately, \$218,000, \$73,000 and \$29,000, respectively.

The City's total cash basis net assets increased 18%, or approximately \$159,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$130,000 and the assets of the business type activities increased approximately \$29,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplemental Information provides detailed information about the non-major governmental funds and City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assts. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The State of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds. The Water and Sewer Funds are considered major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$632,000 to approximately \$762,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30, 2012	Year Ended June 30, 2011	
Receipts:			
Program receipts:			
Charges for services	\$ 154,162	\$ 142,136	
Operating grants, contributions and restricted interest	333,879	333,389	
Capital grants, contributions and restricted interest	229,200	70,334	
General receipts:			
Property tax	496,711	472,827	
Tax increment financing	52,708	78,399	
Local option sales tax	192,833	204,865	
Unrestricted investment earnings	3,593	5,206	
Miscellaneous	9,291	18,428	
Sale of assets	12,260	-0-	
Debt proceeds	210,000	-0-	
Total receipts	1,694,637	1,325,584	
Disbursements:			
Public safety	292,137	263,527	
Public works	445,409	227,636	
Culture and recreation	230,365	214,226	
Community and economic development	179,216	106,469	
General government	240,595	252,155	
Debt service	219,705	191,693	
Capital projects	-0-	-0-	
Total disbursements	1,607,427	1,255,706	
Change in cash basis net assets before transfers	87,210	69,878	
Transfers, net	42,864	15,000	
Change in cash basis net assets	130,074	84,878	
Cash basis net assets, beginning of year	632,015	547,137	
Cash basis net assets, end of year	\$ 762,089	\$ 632,015	

The City's total receipts for governmental activities increased 28%, or approximately \$369,000. The total cost of all programs and services increased approximately \$351,700, or 28%, with no new programs added this year. The significant increase in receipts was primarily the result of the issuance of a general obligation street improvement note and the receipt of a Firefighters Grant and a CDBG Housing Assistance Grant.

The City decreased property tax rates for fiscal year 2012 an average of .02%. This increase as well as increases in the total assessed valuation, raised the City's property tax receipts approximately \$24,000 in fiscal year 2012. Property tax receipts are budgeted to increase \$10,210 next year.

The cost of all governmental activities this year was approximately \$1.60 million compared to approximately \$1.25 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$890,000 because some of the cost was paid by those directly benefited from the programs (approximately \$154,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$563,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$546,000 to approximately \$717,000, principally due to Firefighters and Housing Grants.

Changes in Cash Basis Net Assets of Business Type Activities			
	Year Ended June 30,		Year Ended June 30,
	2012		2011
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 234,490	\$	227,455
Sewer	300,446		277,718
Sanitation	108,756		111,480
Capital grants, contributions and restricted interest	9		14
General receipts:			
Unrestricted investment earnings	1,199		1,355
Debt proceeds	135,000		-0-
Miscellaneous	6,265		1,925
Total receipts	<u>786,165</u>		<u>619,947</u>
Disbursements:			
Water	358,279		206,556
Sewer	261,258		210,169
Sanitation	94,795		89,387
Total disbursements	<u>714,332</u>		<u>506,112</u>
Change in cash basis net assets before transfers	71,833		113,835
Transfers, net	(42,864)		(15,000)
Change in cash basis net assets	<u>28,969</u>		<u>98,835</u>
Cash basis net assets, beginning of year	<u>259,879</u>		<u>161,044</u>
Cash basis net assets, end of year	\$ <u>288,848</u>	\$	<u>259,879</u>

Total business type activities receipts for the fiscal year were approximately \$786,000 compared to approximately \$620,000 last year. This significant increase was due primarily to the receipt of \$135,000 of a general obligation water system improvement note. Water and sewer receipts increased approximately 6% due to new water meters that improved meter accuracy. The cash balance increased approximately \$99,000 and disbursements for the fiscal year increased 41% to approximately \$714,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Manning completed the year, its governmental funds reported a combined fund balance of \$762,089, an increase of more than \$130,000 above last year's total of \$632,015. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$78,908 from the prior year to \$179,597. Approximately \$30,000 of the increase attributes to a grant reimbursement and approximately \$18,000 attributes to Recreation Center operational improvements and efficiencies.

The Special Revenue, Road Use Tax Fund cash balance decreased \$9,500 to \$57,438. This was primarily due to street repairs.

The Special Revenue, Employee Benefits Fund cash balance increased \$30,875 to \$40,407. This increase was due to savings achieved by switching to health savings accounts in the City's health insurance program.

The Special Revenue, Local Option Tax Fund cash balance increased \$21,283 to \$65,628. Local option tax receipts were higher than anticipated. 25% of local option tax is annually transferred to the debt service fund. Any excess balances will fund City projects in the future.

The Special Revenue, Housing and Urban Renewal Fund cash balance increased \$6,993 to \$8,897 which will provide the city's match on ongoing grants.

The Debt Service Fund cash balance decreased \$9,306 to \$41,075. The City's practice of paying down extra debt over the past few years has reduced the debt service cash balance. Bond and note principal and interest payments decreased \$28,012 in fiscal year 2012.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$1,346 to \$119,852.

The Enterprise, Sewer Fund cash balance increased \$18,662 to \$127,830. This was primarily due to new water meters and greater meter accuracy.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved May 15, 2012 and was primarily due to grants. City disbursements did not exceed amounts budgeted for the year ended June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,577,335 in bonds, notes and other long-term debt outstanding, compared to \$1,521,584 last year, as shown below.

Outstanding Debt at Year-End			
		June 30, 2012	June 30, 2011
General obligation notes	\$	712,101	\$ 577,500
Revenue notes		865,234	944,084
Total	\$	<u>1,577,335</u>	<u>\$ 1,521,584</u>

Debt increased as a result of issuing a general obligation water system improvement note and a general obligation street improvement note.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$712,101 is significantly below its constitutional debt limit of \$2.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Manning's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. Water and sewer rates were increased to accumulated reserves to fund smaller future water/sewer projects without the issuance of new debt. In fiscal year 2013, the City is the recipient of a Downtown Revitalization Grant and a FEMA grant for a pumper/tanker. The City will continue to be fiscally conservative so that it may better weather threatened state legislative changes that could affect property taxes, tax increment financing, IPERS, etc.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dawn Rohe, City Clerk, 717 3rd Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

CITY OF MANNING
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

			Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 292,137	\$ 6,843	\$ 47,998	\$ 104,595
Public works	445,409	2,302	142,277	-0-
Cultures and recreation	230,365	116,812	16,453	-0-
Community and economic development	179,216	-0-	89,337	103,142
General government	240,595	28,205	37,814	21,463
Debt service	219,705	-0-	-0-	-0-
Total governmental activities	1,607,427	154,162	333,879	229,200
Business type activities:				
Water	358,279	234,490	9	-0-
Sewer	261,258	300,446	-0-	-0-
Sanitation	94,795	108,756	-0-	-0-
Total business type activities	714,332	643,692	9	-0-
Total	\$ 2,321,759	\$ 797,854	\$ 333,888	\$ 229,200

General receipts:

Property taxes levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted investment earnings
Miscellaneous
Debt proceeds
Sale of assets
Transfers net
Total general receipts

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:
Cemetery perpetual care
Expendable
Streets
TIF urban renewal
Debt service
Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (132,701)	\$ -0-	\$ (132,701)
(300,830)	-0-	(300,830)
(97,100)	-0-	(97,100)
13,263	-0-	13,263
(153,113)	-0-	(153,113)
(219,705)	-0-	(219,705)
<u>(890,186)</u>	<u>-0-</u>	<u>(890,186)</u>
-0-	(123,780)	(123,780)
-0-	39,188	39,188
-0-	13,961	13,961
<u>-0-</u>	<u>(70,631)</u>	<u>(70,631)</u>
(890,186)	(70,631)	(960,817)
435,116	-0-	435,116
61,595	-0-	61,595
52,708	-0-	52,708
192,833	-0-	192,833
3,593	1,199	4,792
9,291	6,265	15,556
210,000	135,000	345,000
12,260	-0-	12,260
42,864	(42,864)	-0-
<u>1,020,260</u>	<u>99,600</u>	<u>1,119,860</u>
130,074	28,969	159,043
<u>632,015</u>	<u>259,879</u>	<u>891,894</u>
\$ <u>762,089</u>	\$ <u>288,848</u>	\$ <u>1,050,937</u>
\$ 66,691	\$ -0-	\$ 66,691
57,438	-0-	57,438
108,769	-0-	108,769
41,075	91,293	132,368
308,519	5,924	314,443
179,597	191,631	371,228
\$ <u>762,089</u>	\$ <u>288,848</u>	\$ <u>1,050,937</u>

CITY OF MANNING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option
Receipts:				
Property tax	\$ 255,577	\$ -0-	\$ 132,470	\$ -0-
Tax increment financing	-0-	-0-	-0-	-0-
Other city taxes	-0-	-0-	-0-	192,833
Licenses and permits	4,868	-0-	-0-	-0-
Use of money and property	38,501	-0-	-0-	-0-
Intergovernmental	159,488	142,277	-0-	-0-
Charges for service	126,892	2,302	-0-	-0-
Miscellaneous	34,498	1,670	-0-	-0-
Total receipts	619,824	146,249	132,470	192,833
Disbursements:				
Public safety	271,632	-0-	-0-	-0-
Public works	-0-	445,409	-0-	-0-
Culture and recreation	226,941	-0-	-0-	-0-
Community and economic development	-0-	-0-	-0-	-0-
General government	92,509	-0-	101,595	-0-
Debt service	-0-	-0-	-0-	-0-
Total disbursements	591,082	445,409	101,595	-0-
Excess (deficiency) of receipts over (under) disbursements	28,742	(299,160)	30,875	192,833
Other financing sources (uses):				
Debt proceeds	-0-	210,000	-0-	-0-
Sale of capital assets	6,100	6,160	-0-	-0-
Operating transfer in	51,706	73,500	-0-	-0-
Operating transfer out	(7,640)	-0-	-0-	(171,550)
Total other financing sources (uses)	50,166	289,660	-0-	-0-
Net change in cash balances	78,908	(9,500)	30,875	21,283
Cash balances, beginning of year	100,689	66,938	9,532	44,345
Cash balances, end of year	\$ 179,597	\$ 57,438	\$ 40,407	\$ 65,628
Cash Basis Fund Balance				
Non-spendable – Cemetery perpetual care	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Restricted for:				
Street	-0-	57,438	-0-	-0-
Urban renewal purposes	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	-0-
Other purposes	-0-	-0-	40,407	65,628
Assigned	-0-	-0-	-0-	-0-
Unassigned	179,597	-0-	-0-	-0-
Total cash basis fund balances	\$ 179,597	\$ 57,438	\$ 40,407	\$ 65,628

See notes to financial statements.

EXHIBIT B

<u>Housing & Urban Renewal</u>	<u>Debt Service</u>	<u>Non-major</u>	<u>Total</u>
\$ -0-	\$ 61,595	\$ 47,069	\$ 496,711
-0-	-0-	52,708	52,708
-0-	-0-	-0-	192,833
-0-	-0-	-0-	4,868
-0-	-0-	57,487	95,988
103,142	-0-	25,973	430,880
-0-	-0-	550	129,744
-0-	-0-	32,477	68,645
<u>103,142</u>	<u>61,595</u>	<u>216,264</u>	<u>1,472,377</u>
-0-	-0-	20,505	292,137
-0-	-0-	-0-	445,409
-0-	-0-	3,424	230,365
100,149	-0-	79,067	179,216
-0-	-0-	46,491	240,595
-0-	219,705	-0-	219,705
<u>100,149</u>	<u>219,705</u>	<u>149,487</u>	<u>1,607,427</u>
2,993	(158,110)	66,777	(135,050)
-0-	-0-	-0-	210,000
-0-	-0-	-0-	12,260
4,000	148,804	17,640	295,650
-0-	-0-	(73,596)	(252,786)
<u>4,000</u>	<u>148,804</u>	<u>(55,956)</u>	<u>265,124</u>
6,993	(9,306)	10,821	130,074
<u>1,904</u>	<u>50,381</u>	<u>358,226</u>	<u>632,015</u>
<u>\$ 8,897</u>	<u>\$ 41,075</u>	<u>\$ 369,047</u>	<u>\$ 762,089</u>
\$ -0-	\$ -0-	\$ 66,691	\$ 66,691
-0-	-0-	-0-	57,438
8,897	-0-	99,872	108,769
-0-	41,075	-0-	41,075
-0-	-0-	26,074	132,109
-0-	-0-	176,410	176,410
-0-	-0-	-0-	179,597
<u>\$ 8,897</u>	<u>\$ 41,075</u>	<u>\$ 369,047</u>	<u>\$ 762,089</u>

CITY OF MANNING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Charges for services	\$ 231,190	\$ 300,446	\$ 108,756	\$ 640,392
Operating disbursements:				
Business type activities	329,304	190,168	94,795	614,267
Excess (deficiency) of operating receipts over (under) operating Disbursements	(98,114)	110,278	13,961	26,125
Non-operating receipts (disbursements)				
Customer deposits	3,300	-0-	-0-	3,300
Deposit refunds	(5,403)	-0-	-0-	(5,403)
Debt service	(23,572)	(71,090)	-0-	(94,662)
Miscellaneous	6,264	-0-	-0-	6,264
Interest on investments	303	906	-0-	1,209
Net non-operating	(19,108)	(70,184)	-0-	(89,292)
Excess (deficiency) of receipts over (under) disbursements	(117,222)	40,094	13,961	(63,167)
Other financing sources (uses):				
Debt proceeds	135,000	-0-	-0-	135,000
Transfer out	(16,432)	(21,432)	(5,000)	(42,864)
Net change in cash balances	1,346	18,662	8,961	28,969
Cash balances, beginning of year	118,506	109,168	32,205	259,879
Cash balances, end of year	\$ 119,852	\$ 127,830	\$ 41,166	\$ 288,848
Cash Basis Fund Balances				
Restricted for debt service	\$ -0-	\$ 91,293	\$ -0-	\$ 91,293
Restricted for customer deposits	5,924	-0-	-0-	5,924
Unrestricted	113,928	36,537	41,166	191,631
Total cash basis fund balances	\$ 119,852	\$ 127,830	\$ 41,166	\$ 288,848

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The City of Manning is a political subdivision of the State of Iowa located in Carroll County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Manning has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the financial transactions and balances of the City of Manning only and exclude the City's component units of the Manning Municipal Communication and Television System Utility, the Manning Municipal Light Plant and the Manning Municipal Gas Department. The City's three component units are legally separate from the City but may provide specific benefits to, or impose specific burdens on the City. These component units also present their financial statements per calendar year and in accordance with generally accepted accounting principals.

Jointly Governed Organization

The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Carroll County Conference Board, Carroll County Emergency EMA Board, Carroll County E911 Commission and Carroll County Solid Waste Commission.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for taxes levied for employee benefits such as social security, medicare, health insurance premiums and IPERS.

The Local Option Sales Tax Fund is used to account for special purposes as determined by City Council.

The Housing and Urban Renewal Fund is used to account for residential housing grants and urban renewal projects.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Manning maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply co-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Non-spendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

(2) Cash and Investments

The City's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City's deposits consisted of cash in bank and certificates of deposit as follows:

Cash in bank	\$	736,268
Certificates of deposit		<u>314,669</u>
Total	\$	<u>1,050,937</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds, loans and notes, and revenue bonds, loans and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2013	\$ 209,041	\$ 17,808	\$ 67,000	\$ 24,293
2014	166,170	14,343	68,000	22,635
2015	172,669	9,109	69,000	20,815
2016	79,206	3,488	71,000	18,965
2017	54,303	2,012	72,000	17,055
2018	30,712	891	73,000	15,115
2019	-0-	-0-	75,234	13,145
2020	-0-	-0-	57,000	11,100
2021	-0-	-0-	59,000	9,390
2022	-0-	-0-	61,000	7,620
2023	-0-	-0-	62,000	5,790
2024	-0-	-0-	65,000	3,930
2025	-0-	-0-	66,000	1,980
Total	\$ <u>712,101</u>	\$ <u>47,651</u>	\$ <u>865,234</u>	\$ <u>171,833</u>

Year Ending June 30,	Total	
	Principal	Interest
2013	\$ 276,041	\$ 42,101
2014	234,170	36,978
2015	241,669	29,924
2016	150,206	22,453
2017	126,303	19,067
2018	103,712	16,006
2019	75,234	13,145
2020	57,000	11,100
2021	59,000	9,390
2022	61,000	7,620
2023	62,000	5,790
2024	65,000	3,930
2025	66,000	1,980
Total	\$ <u>1,577,335</u>	\$ <u>219,484</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Bonds and Notes Payable (Continued)

Revenue Notes

The City has pledged future water customer receipts, net of specified operation disbursements, to repay \$200,000 of a water revenue loan issued September 16, 2008. Proceeds from the loan provided financing for water tower improvements. The loan is payable solely from water customer net receipts and are payable through 2019. The total principal and interest remaining to be paid on the loan is \$149,639. For the current year, principal and interest paid were \$20,000 and \$5,160, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$800,000 in sewer revenue bonds issued November 17, 2004 and \$200,000 in sewer revenue bonds issued August 23, 2007. Proceeds from the Clean Water Revolving Loan Fund (the bonds) provided financing for improvements to the wastewater treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$884,430. For the current year, principal and interest paid were \$46,000 and \$23,160, respectively.

Resolutions providing for the issuance of the sewer revenue bonds require only that the bonds be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$40,262, equal to the required contribution for the year.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(5) Other Postemployment Benefits (OPEB)

Plan Description - For July 1, 2011 to December 31, 2011, the City operated a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There were 9 active City employees enrolled and -0- retired members in the plan. The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City financed the benefit plan on a pay-as-you-go basis and paid 100% of both single and family coverage. Monthly premiums were \$345 for employees only, \$707 for employee/spouse, \$653 for employee/children, and \$1,059 for employee/spouse/children. Those premiums were for \$2,000/\$4,000 deductibles and out-of-pocket maximums of \$4,000/\$8,000. The City partially self-funded as needed down to \$1,000/\$2,000 and paid those claims as they came due.

Plan Description - For January 1, 2012 to June 30, 2012, the City operated a high-deductible health plan which provides medical/prescription drug benefits for employees and retirees and their spouses. Employees that provide proof of insurance elsewhere can elect to opt-out of coverage and receive a payment-in-lieu of insurance. There were 8 active City employees enrolled, -0- retired members and 2 opt-outs. The medical/prescription drug benefits are provided through a high-deductible health plan with Wellmark.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City financed the benefit plan on a pay-as-you-go basis and paid 100% of both single and family coverage. The City also contributed 50% of the deductible into participating employees' health savings accounts. Monthly premiums were \$352 for employee only, \$722 for employee/spouse, \$667 for employee/children, and \$1,082 for employee/spouse/children. Those premiums were for \$2,500/\$5,000 deductibles and out-of-pocket maximums of \$2,500/\$5,000. Employees that opt-out receive a \$450 monthly stipend less any coverage retained through the City (i.e., disability, life, dental, etc.). For the year ended June 30, 2012, the City contributed \$63,881 toward the health insurance plan and plan members eligible for benefits contributed \$-0- to the plan. Additionally, the City contributed \$15,833 toward Health Savings Accounts and paid \$5,400 for payments in lieu of insurance.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused paid time off for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Paid time off (PTO) is an all purpose time off policy for eligible employees to use for vacation, illness or injury, and personal business. It combines traditional vacation and sick leave plans into one flexible, paid time off policy. Regular full-time employees are eligible to accrue up to 240 (PTO) hours. Any excess hours accrue to a long term bank which carries more restrictions and is not payable upon termination, retirement or death. The City's approximate liability for PTO (Paid Time Off) payable to employees at June 30, 2012 was \$27,675. This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Related Party Transactions

City Officials

Business transactions between the City and City officials totaled \$8,439 during the year ended June 30, 2012.

Interdepartmental Loan Agreements

The City has interdepartmental loan agreements with the Manning Municipal Light Plant and the Manning Municipal Gas Department. Interest and principal payments were \$5,255 and \$53,100, respectively, for the year ended June 30, 2012.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past year.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(9) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General fund	Special revenue emergency	\$ 8,206
General fund	Special revenue - Economic development	7,000
General fund	Special revenue local option	26,500
General fund	Enterprise sanitation	5,000
General fund	Enterprise sewer	5,000
Special revenue road use	Special revenue local option	73,500
Special revenue - Housing & urban renewal	Enterprise water	2,000
Special revenue - Housing & urban renewal	Enterprise sewer	2,000
Special revenue - Economic Development	Enterprise sewer	5,000
Special revenue - Economic Development	Enterprise water	5,000
Special revenue police trust	General	7,640
Debt service	Special revenue TIF	58,390
Debt service	Special revenue local option	71,550
Debt service	Enterprise sewer	9,432
Debt service	Enterprise water	9,432
Total		\$ <u>295,650</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(10) Urban Renewal

Chapter 403 of the Code of Iowa authorized cities to establish areas within their boundaries known as *urban renewal areas*, and to exercise special powers within these areas. Urban renewal powers were initially granted to cities in order to counter conditions of deterioration within cities. Gradually, urban renewal was found to be a useful tool for economic development in previously undeveloped areas.

In order to facilitate the use of urban renewal for economic development, in 1985 the Iowa General Assembly amended Chapter 403 to authorize City Councils to create *economic development areas*. An economic development urban renewal area may be any area of a city which has been designated by City Council as an area which is appropriate for industrial enterprises and in which the city seeks to encourage further development.

The process by which an economic development urban renewal area may be created begins with a finding by the City Council that such an area needs to be established within the City. An urban renewal plan is then prepared for the area, which must be consistent with the City's existing comprehensive or general plan. After the City Council holds a public hearing on the urban renewal plan, the council may approve the plan.

Manning Industrial Urban Renewal Area

In November 1994, the City of Manning established the Manning Industrial Urban Renewal Area located in the western area of the city and zoned as heavy industrial use. The objectives of the plan are: to contribute to a diversified, well-balanced local economy by creating job opportunities and strengthening the property tax base; to assist in providing land for new and expanded industrial development; and to encourage industrial growth and expansion through the use of federal, state and local incentives. Specific activities of the plan in the urban renewal area include the following: preparation of plans related to the development and implementation of the urban renewal area and specific urban renewal projects; construction of infrastructure such as streets or public utilities; construction of buildings or site improvements such as grading and site preparation; acquisition, preparation and disposition of property for redevelopment; providing for relocation of persons and businesses displaced by a project; making available all possible forms of financing for development projects, including conventional municipal borrowing and tax increment financing resulting from increased property values in the urban renewal area; and providing direct financial assistance, including grants or loans, to private persons engaged in economic development.

Manning Urban Renewal Area

In May 2003, the City of Manning amended its original urban renewal plan. The amendment expanded the size of the original district, emphasized and encouraged commercial development through urban renewal projects, changed the name of the original area to Manning Urban Renewal Area, and zoned a portion of the original urban renewal area as heavy industrial use and the remainder as commercial use.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(11) Tax Increment Financing

The concept of tax increment financing (TIF) enables a City to use property tax dollars generated from private development to finance projects within an urban renewal area. A City ordinance designates all or a portion of the urban renewal area as a TIF district and establishes the property tax valuations within that district as the base valuation as of a given valuation date. Thereafter, if the City borrows money to pay the cost of projects within the district, property taxes (except taxes for debt service purposes) levied by all local jurisdictions (city, county, school, area college) against any increases in valuation over the base valuations are allocated exclusively to the City's tax increment fund, rather than back to each jurisdiction. Property taxes levied by all local jurisdictions against the base valuations continue to be distributed to those jurisdictions, and, after the City's TIF debt is paid off or the City is fully reimbursed for project costs, property taxes generated from the new valuations, as well as from the frozen base, will be distributed to all local jurisdictions.

The mechanism by which the City collects TIF revenue is the certification of TIF indebtedness to the county auditor. One obligation has been certified to the county auditor as follows:

Enterprise Street

In December 2003, the City issued \$500,000 of general obligation corporate purpose notes for road improvements to Enterprise Street. As of June 30, 2012, approximately \$153,500 remains outstanding on these notes. Tax increment financing collections within this TIF district will continue to provide the funds for principal and interest payments through maturity on June 1, 2015.

(12) Revolving Loan Fund Program

The Revolving Loan Fund Program was approved by City Council in January 1992. The program was initially funded by a \$200,000 Community Development Block Grant and supplemented in 1998 by a \$50,000 Rural Business Enterprise Grant from the US Department of Agriculture.

The Program has expanded since inception to include loans made for the acquisition, construction, reconstruction, or installation of commercial or industrial buildings, structures, or other real property, acquisition of equipment and machinery, reuse of vacant or abandoned facilities, and modernization of plant equipment and machinery. Loans are not made to supply working capital.

The Program is administered by the City's Economic Development Agency (EDA) which consists of two City Councilors, two board members of the Manning Municipal Light Plant, and two board members of the Manning Municipal Gas Department. All are appointed and serve for one year terms. The Mayor serves as the chairman of the EDA and the City Clerk serves as the Program Administrator. All loans are approved by City Council.

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(12) Revolving Loan Fund Program (Continued)

The loan repayment terms, interest rate, and any other conditions will be determined on a case-by-case basis. In general, the following serve as guidelines: 1) The term of the loan shall not exceed fifteen years. 2) The date of the first payment of principal and interest is at the discretion of the loan committee but not to exceed five years beyond the initial date of loan approval. 3) The interest rate on the loan shall be at the discretion of the loan committee but never below 1%. 4) Loans may be renegotiated; however, renegotiation is not an inherent right of the borrower. 5) Principal and interest will be repaid in equal installments for the term of the loan unless otherwise determined by the loan committee. 6) If the project fails to comply with the terms of the contract, or fails to use the loan for only those purposes set forth, then the City may terminate the contract in whole, or in part, or accelerate payment of all principal and accrued interest and penalties, and may immediately declare same due and payable at any time before the date of completion.

At June 30, 2012, the RLF Program has loaned \$577,340 to fourteen local businesses at rates of interest ranging from 1% to 4.75%. Loans are secured with real estate mortgages, equipment and guarantees. Two loans are unsecured. Future interest and principal receipts are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 50,915	\$ 10,788	\$ 61,703
2014	54,930	10,266	65,196
2015	56,642	8,011	64,653
2016	54,901	5,691	60,592
2017	35,751	3,753	39,504
2018	28,673	2,502	31,175
2019	17,626	1,514	19,140
2020	14,433	810	15,243
2021	6,701	336	7,037
2022	3,808	72	3,880
Total	\$ <u>324,380</u>	\$ <u>43,743</u>	\$ <u>368,123</u>

CITY OF MANNING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(13) Subsequent Events

In October 2012, City Council authorized the issuance of \$10,000,000 Hospital Revenue Bonds and \$1,000,000 Taxable Hospital Revenue Bonds for the purpose of lending the proceeds to the Manning Regional Healthcare Center for the construction of a 67,000 square foot hospital facility. Future principal and interest payments are the obligation of the Manning Regional Healthcare Center. Per terms of the City's Conduit Revenue Bonds Policy, the City's issuance fee will be 0.10% of the par amount of the bonds issued.

OTHER INFORMATION

CITY OF MANNING
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY
FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 496,711	\$ -0-
Tax increment financing	52,708	-0-
Other city tax	192,833	-0-
Licenses and permits	4,868	-0-
Use of money and permits	95,988	1,209
Intergovernmental	430,880	-0-
Charges for services	129,744	643,692
Special assessments	-0-	-0-
Miscellaneous	68,645	6,264
Total receipts	<u>1,472,377</u>	<u>651,165</u>
Disbursements:		
Public safety	292,137	-0-
Public works	445,409	-0-
Culture and recreation	230,365	-0-
Community and economic development	179,216	-0-
General government	240,595	-0-
Debt service	219,705	-0-
Capital projects	-0-	-0-
Business type activities	-0-	714,332
Total disbursements	<u>1,607,427</u>	<u>714,332</u>
Excess (deficiency) of receipts over (under) disbursements	(135,050)	(63,167)
Other financing sources, net	<u>265,124</u>	<u>92,136</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	130,074	28,969
Balances beginning of year	<u>632,015</u>	<u>259,879</u>
Balances end of year	<u>\$ 762,089</u>	<u>\$ 288,848</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 496,711	\$ 492,679	\$ 492,679	\$ 4,032
52,708	58,390	58,390	(5,682)
192,833	175,000	175,000	17,833
4,868	5,800	5,800	(932)
97,197	86,400	86,400	10,797
430,880	444,475	520,889	(90,009)
773,436	693,050	734,750	38,686
-0-	-0-	-0-	-0-
74,909	39,200	39,200	35,709
<u>2,123,542</u>	<u>1,994,994</u>	<u>2,113,108</u>	<u>10,434</u>
292,137	319,951	303,918	11,781
445,409	510,200	510,200	64,791
230,365	202,120	243,934	13,569
179,216	191,500	257,500	78,284
240,595	278,755	296,555	55,960
219,705	190,855	219,719	14
-0-	-0-	-0-	-0-
714,332	586,380	721,380	7,048
<u>2,321,759</u>	<u>2,279,761</u>	<u>2,553,206</u>	<u>231,447</u>
(198,217)	(284,767)	(440,098)	241,881
<u>357,260</u>	<u>300,000</u>	<u>460,000</u>	<u>(102,740)</u>
159,043	15,233	19,902	139,141
<u>891,894</u>	<u>891,894</u>	<u>891,894</u>	<u>-0-</u>
\$ <u>1,050,937</u>	\$ <u>907,127</u>	\$ <u>911,796</u>	\$ <u>139,141</u>

CITY OF MANNING

**NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$118,114 and budgeted disbursements by \$276,445. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

SUPPLEMENTARY INFORMATION

CITY OF MANNING
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -

NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue			
	Insurance	Emergency	TIF District	Revolving Loan Fund
Receipts:				
Property taxes	\$ 38,745	\$ 8,324	\$ -0-	\$ -0-
Tax Increment Financing	-0-	-0-	52,708	-0-
Use of money and property	-0-	-0-	-0-	56,844
Intergovernmental	-0-	-0-	-0-	-0-
Charges for services	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-
Total receipts	<u>38,745</u>	<u>8,324</u>	<u>52,708</u>	<u>56,844</u>
Disbursements:				
Operations:				
Public safety	-0-	-0-	-0-	-0-
Culture and recreation	-0-	-0-	-0-	-0-
Community and economic dev	-0-	-0-	-0-	59,800
General government	<u>46,491</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total disbursements	<u>46,491</u>	<u>-0-</u>	<u>-0-</u>	<u>59,800</u>
Excess (deficiency) of receipts over (under) disbursements	(7,746)	8,324	52,708	(2,956)
Other financing sources				
Operating transfer in	-0-	-0-	-0-	-0-
Operating transfer out	<u>-0-</u>	<u>(8,206)</u>	<u>(58,390)</u>	<u>-0-</u>
Net change in cash balances	(7,746)	118	(5,682)	(2,956)
Cash balances beginning of year	<u>33,820</u>	<u>(118)</u>	<u>15,943</u>	<u>26,351</u>
Cash balances end year	<u>\$ 26,074</u>	<u>\$ -0-</u>	<u>\$ 10,261</u>	<u>\$ 23,395</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Restricted for other purposes	26,074	-0-	10,261	23,395
Unassigned	-0-	-0-	-0-	-0-
Total cash basis fund balances	<u>\$ 26,074</u>	<u>\$ -0-</u>	<u>\$ 10,261</u>	<u>\$ 23,395</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Special Revenue				Permanent Cemetery Perpetual Care	Total
Economic Development	Fire Truck Trust	Library Trust	Police Trust		
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 47,069
-0-	-0-	-0-	-0-	-0-	52,708
16	-0-	627	-0-	-0-	57,487
-0-	25,973	-0-	-0-	-0-	25,973
-0-	-0-	-0-	-0-	550	550
32,477	-0-	-0-	-0-	-0-	32,477
<u>32,493</u>	<u>25,973</u>	<u>627</u>	<u>-0-</u>	<u>550</u>	<u>216,264</u>
-0-	20,505	-0-	-0-	-0-	20,505
-0-	-0-	3,424	-0-	-0-	3,424
19,267	-0-	-0-	-0-	-0-	79,067
-0-	-0-	-0-	-0-	-0-	46,491
<u>19,267</u>	<u>20,505</u>	<u>3,424</u>	<u>-0-</u>	<u>-0-</u>	<u>149,487</u>
13,226	5,468	(2,797)	-0-	550	66,777
10,000	-0-	-0-	7,640	-0-	17,640
<u>(7,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(73,596)</u>
16,226	5,468	(2,797)	7,640	550	10,821
<u>73,385</u>	<u>46,500</u>	<u>96,204</u>	<u>-0-</u>	<u>66,141</u>	<u>358,226</u>
\$ <u>89,611</u>	\$ <u>51,968</u>	\$ <u>93,407</u>	\$ <u>7,640</u>	\$ <u>66,691</u>	\$ <u>369,047</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 66,691	\$ 66,691
89,611	51,968	93,407	7,640	-0-	302,356
-0-	-0-	-0-	-0-	-0-	-0-
\$ <u>89,611</u>	\$ <u>51,968</u>	\$ <u>93,407</u>	\$ <u>7,640</u>	\$ <u>66,691</u>	\$ <u>369,047</u>

**CITY OF MANNING
STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2012**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation:			
Street Improvement Bonds	April 15, 1997	4.20 - 5.45%	\$ 650,000
Corporate Purpose Note	December 1, 2003	1.50 - 4.30%	\$ 900,000
Interdepartmental Loan (MMLP)	September 16, 2008	1.65 - 2.85%	\$ 175,000
Water System Improvement Note	November 1, 2011	1.86%	\$ 135,000
Street Improvement Note	July 1, 2011	2.90%	\$ 210,000
Fire Truck Loan	September 28, 2006	0.00%	\$ 150,000
 Revenue Bonds and Loans:			
Interdepartmental Loan (MMGD)	September 16, 2008	Variable	\$ 200,000
Sewer Revenue Bond	August 23, 2007	3.00%	\$ 200,000
Sewer Revenue Bond	November 17, 2004	3.00%	\$ 800,000
Capital Lease - Loader	November 16, 2007	5.80%	\$ 53,250

SCHEDULE 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 60,000	\$ -0-	\$ 60,000	\$ -0-	\$ 3,270	\$ -0-
360,000	-0-	85,000	275,000	14,735	952
75,000	-0-	33,100	41,900	1,683	751
-0-	135,000	17,299	117,701	1,565	18
-0-	210,000	-0-	210,000	2,553	3,587
<u>82,500</u>	<u>-0-</u>	<u>15,000</u>	<u>67,500</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>577,500</u>	\$ <u>345,000</u>	\$ <u>210,399</u>	\$ <u>712,101</u>	\$ <u>23,806</u>	\$ <u>5,388</u>
\$ 159,234	\$ -0-	\$ 20,000	\$ 139,234	\$ 3,572	\$ 2,513
164,000	-0-	10,000	154,000	4,920	385
608,000	-0-	36,000	572,000	18,240	1,430
<u>12,850</u>	<u>-0-</u>	<u>12,850</u>	<u>-0-</u>	<u>743</u>	<u>-0-</u>
\$ <u>944,084</u>	\$ <u>-0-</u>	\$ <u>78,850</u>	\$ <u>865,234</u>	\$ <u>27,475</u>	\$ <u>4,328</u>

See Accompanying Independent Auditor's Report.

CITY OF MANNING
BOND AND NOTE MATURITIES
JUNE 30, 2012

General Obligation Bonds and Notes

Year Ended June 30,	Street Improvement Note		Corporate Purpose Notes	
	Issued July 1, 2011		Issued December 1, 2003	
	Interest Rate	Amount	Interest Rate	Amount
2013	2.90%	\$ 35,811	4.00%	\$ 90,000
2014	2.90%	34,346	4.15%	90,000
2015	2.90%	35,342	4.30%	95,000
2016	2.90%	36,367	--	-0-
2017	2.90%	37,422	--	-0-
2018	2.90%	30,712	--	-0-
Total		\$ 210,000		\$ 275,000

Year Ended June 30,	Water System Improvement Note		Interdepartmental Loan (MMLP)	
	Issued November 1, 2011		Issued October 16, 2008	
	Interest Rate	Amount	Interest Rate	Amount
2013	1.86%	\$ 26,330	1.65%	\$ 41,900
2014	1.86%	26,824	--	-0-
2015	1.86%	27,327	--	-0-
2016	1.86%	27,838	--	-0-
2017	1.86%	9,382	--	-0-
2018	--	-0-	--	-0-
Total		\$ 117,701		\$ 41,900

Year Ended June 30,	Fire Truck Loan Agreement		
	Issued September 28, 2006		
	Interest Rate	Amount	Total
2013	0%	\$ 15,000	\$ 209,041
2014	0%	15,000	166,170
2015	0%	15,000	172,669
2016	0%	15,000	79,205
2017	0%	7,500	54,304
2018	--	-0-	30,712
Total		\$ 67,500	\$ 712,101

SCHEDULE 3

Revenue Bonds and Notes

Year Ended June 30,	Sewer Revenue Bond		Sewer Revenue Bond	
	Issued August 23, 2007		Issued Nov 17, 2007	
	Interest Rate	Amount	Interest Rate	Amount
2013	3.00%	\$ 10,000	3.00%	\$ 37,000
2014	3.00%	10,000	3.00%	38,000
2015	3.00%	10,000	3.00%	39,000
2016	3.00%	11,000	3.00%	40,000
2017	3.00%	11,000	3.00%	41,000
2018	3.00%	11,000	3.00%	42,000
2019	3.00%	12,000	3.00%	44,000
2020	3.00%	12,000	3.00%	45,000
2021	3.00%	13,000	3.00%	46,000
2022	3.00%	13,000	3.00%	48,000
2023	3.00%	13,000	3.00%	49,000
2024	3.00%	14,000	3.00%	51,000
2025	3.00%	14,000	3.00%	52,000
Total		\$ <u>154,000</u>		\$ <u>572,000</u>

Year Ended June 30,	Interdepartmental Loan (MMGD)		Total
	Issued September 16, 2008		
	Interest Rate	Amount	
2013	1.95%	\$ 20,000	\$ 67,000
2014	1.95%	20,000	68,000
2015	1.95%	20,000	69,000
2016	1.95%	20,000	71,000
2017	1.95%	20,000	72,000
2018	1.95%	20,000	73,000
2019	1.95%	19,234	75,234
2020	--	-0-	57,000
2021	--	-0-	59,000
2022	--	-0-	61,000
2023	--	-0-	62,000
2024	--	-0-	65,000
2025	--	-0-	66,000
Total		\$ 139,234	\$ 865,234

See Accompanying Independent Auditors' Report.

SCHEDULE 4

CITY OF MANNING

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

FOR THE PAST EIGHT YEARS

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>	<u>2009 *</u>
Receipts:				
Property tax	\$ 496,711	\$ 472,827	\$ 455,022	\$ 437,860
Tax Increment Financing	52,708	78,399	86,635	103,841
Other city taxes	192,833	204,865	179,422	187,293
Licenses and permits	4,868	3,470	2,775	2,802
Use of money and property	95,988	83,890	97,764	91,675
Intergovernmental	430,880	308,563	488,366	339,045
Charges for services	129,744	103,422	89,233	86,303
Special assessments	-0-	-0-	-0-	-0-
Miscellaneous	<u>80,905</u>	<u>70,148</u>	<u>63,867</u>	<u>46,119</u>
Total	\$ <u>1,484,637</u>	\$ <u>1,325,584</u>	\$ <u>1,463,084</u>	\$ <u>1,294,938</u>
Disbursements:				
Public safety	\$ 292,137	\$ 263,527	\$ 293,871	\$ 217,049
Public works	445,409	227,636	229,241	492,078
Culture and recreation	230,365	214,226	275,824	333,848
Economic development	179,216	106,469	438,648	140,615
General government	240,595	252,155	133,664	186,276
Debt service	219,705	191,693	206,397	185,335
Capital projects	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>57,350</u>
Total	\$ <u>1,607,427</u>	\$ <u>1,255,706</u>	\$ <u>1,577,645</u>	\$ <u>1,612,551</u>

* Unaudited

See Accompanying Independent Auditor's Report.

	<u>2008</u>	<u>2007 *</u>	<u>2006</u>	<u>2005 *</u>
Receipts:				
Property tax	\$ 417,402	\$ 414,068	\$ 403,537	\$ 401,841
Tax Increment Financing	111,201	97,878	96,035	69,928
Other city taxes	171,234	171,436	165,888	164,667
Licenses and permits	4,415	2,958	4,186	4,398
Use of money and property	83,986	35,090	32,741	50,433
Intergovernmental	719,228	375,328	238,890	214,343
Charges for services	113,859	99,019	104,587	80,404
Special assessments	326	3,241	3,826	3,512
Miscellaneous	<u>242,081</u>	<u>138,529</u>	<u>98,352</u>	<u>83,345</u>
Total	\$ <u>1,863,732</u>	\$ <u>1,337,547</u>	\$ <u>1,148,042</u>	\$ <u>1,072,871</u>
Disbursements:				
Public safety	\$ 292,849	\$ 403,390	\$ 202,403	\$ 256,213
Public works	204,635	204,817	174,178	197,365
Culture and recreation	400,138	227,789	235,404	187,271
Economic development	171,452	268,828	147,368	83,693
General government	235,959	272,511	214,451	128,068
Debt service	165,323	220,385	107,909	104,705
Capital projects	<u>1,148,824</u>	<u>-0-</u>	<u>-0-</u>	<u>362,555</u>
Total	\$ <u>2,619,180</u>	\$ <u>1,597,720</u>	\$ <u>1,081,713</u>	\$ <u>1,319,870</u>

* Unaudited

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

MUXFELDT ASSOCIATES, CPA, P.C.

December 27, 2012

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manning, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated December 27, 2012. My report on the primary government financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself concerning the distribution of fund balances at July 1, 2011. Except as noted in the Independent Auditor's Report, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Manning is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Manning's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manning's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Manning's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

Continued. . .

December 27, 2012

To the Honorable Mayor and
Members of the City Council:

Page Two

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manning's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I the accompanying Schedule of Findings as items I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manning's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

The City of Manning's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Manning's responses and, accordingly, I express no opinion on them.

Continued. . .

December 27, 2012

To the Honorable Mayor and
Members of the City Council:

Page Three

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manning and other parties to whom the City of Manning may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manning during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

**CITY OF MANNING
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Despite adequate personnel, the cash receipts listing, bank deposits and posting of the cash receipts to the cash receipts journal are often performed by the same person. Disbursements are recorded, checks prepared and then signed by the same person.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response - We will consider alternative procedures to ensure that bookkeeping duties are distinct from preparing deposits and taking them to the bank or recording disbursements, preparing and signing checks.

Conclusion - Response accepted.

I-B-12 Beginning Fund Balances - It was noted that June 30, 2011 ending checking balances did not agree with July 1, 2011 beginning balances. There was no documentation to account for the cumulative difference of \$3,511. I was unable to satisfy myself concerning the beginning checking balances and have qualified my opinion on them.

Recommendation - Documentation should be retained for changes to checking reconciliations.

Response - Documentation will be retained in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CITY OF MANNING
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted.

II-B-12 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Economic Development Agency, Owner of Rasmussen Lumber	Supplies	\$ 4,707
Robert Ehlers and Lynn Stein, Economic Development Agency, Owners of NAPA	Parts and supplies	\$ 3,283
Pam Kusel, Historic Preservation Commission, Owner of Manning News Journal	Subscriptions, advertising	\$ 449

In accordance with Chapter 362.5(3)k of the Code of Iowa, the transactions with the economic development agency commissioners appear to represent a conflict of interest because the cumulative totals exceed \$2,500.

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the city's investment policy were noted.

**CITY OF MANNING
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-H-12 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.

II-I-12 Unsubstantiated Disbursements- It was noted that some credit card charges were not substantiated by appropriate documentation.

Recommendation - City Officials should provide appropriate documentation to support their credit card charges.

Response - We will provide appropriate documentation to support credit card charges in the future.

Conclusion - Response accepted.

II-J-12 Disbursement Checks Dispatched Before Council Approval - It was noted during disbursement testing that checks were clearing the bank before they were approved for payment by Council.

Recommendation - The City should review its disbursement procedures to ensure that checks are not issued before Council approves them for payment. In addition, the City should adopt a revised Resolution stating clearing which disbursements may be paid before Council approval: i.e., payroll taxes and withholdings, sales tax, IPERS, contract payments, etc.

Response - We will revise our policy, resolution and procedures to ensure that disbursements are approved for payment by City Council or authorized for payment by resolution before the checks are mailed.

Conclusion - Response accepted.

